

AN ALERT FROM THE BDO INTERNATIONAL TAX PRACTICE

BDO KNOWS: INTERNATIONAL TAXATION



► SUBJECT

POTENTIAL TO EXTEND TIME FOR MAKING SUBMISSIONS FOR THE 2011 OFFSHORE VOLUNTARY DISCLOSURE INITIATIVE

► AFFECTING

United States taxpayers who are looking to take advantage of the Offshore Voluntary Disclosure Initiative.

► DETAILS

The Internal Revenue Service announced on February 8, 2011, a new offshore voluntary disclosure initiative ("OVDI") to encourage individuals with undisclosed income from hidden offshore accounts to become current with their federal tax obligations. Taxpayers who otherwise qualify for the voluntary disclosure initiative can avoid uncertain criminal or severe civil penalties by taking advantage of the Service's new initiative. The 2011 initiative was scheduled to expire August 31, 2011. See our earlier Tax Alert which discusses the initiative in more detail, at www.bdo.com/download/1606.

On June 2, 2011, the Service updated the frequently asked questions and answers ("FAQs") relating to the initiative. The Service added FAQ 25.1 dealing with the deadline for submissions under the OVDI. Under FAQ 25.1, if it is not possible for a taxpayer to make a complete submission by the August 31, 2011, deadline, the Service may allow a 90-day extension of time to file if a request is made by the taxpayer and the taxpayer can demonstrate a good-faith attempt to fully comply with the initiative on or before August 31, 2011. For purposes of FAQ 25.1, the demonstration of a good-faith attempt to comply must include the proper completion of signed agreements to extend the time period for assessing tax and assessing

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penalties relating to the filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, or FBAR. The request for extension must be accompanied by a statement that lists the items that are missing, the reasons why they are not included, and the steps taken to secure them. All requests for extension must be made in writing and sent to the Austin Campus of the Service on or before August 31, 2011.

Accordingly, by following this process, taxpayers may obtain an additional period of time within which to provide a complete submission to the Service. Taxpayers currently participating in the OVDI or considering participating in the initiative should consider the August 31, 2011, deadline as well as the requirements to request an extension for filing the required information in deciding how to proceed with compliance under these rules.

The Service also added FAQs 51.1, 51.2, and 51.3, which deal with opting out of the OVDI process once a taxpayer has been accepted to participate in the OVDI. More information regarding the OVDI FAQs may be accessed at www.irs.gov/businesses/international/article/0,,id=235699,00.html.



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Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.